AIR POUCH — (UNCLASSIFIED) Section 2

(Security Classification)

FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA — DESP. NO. 505

TO : THE DEPARTMENT OF STATE, WASHINGTON. — DATE December 11, 1953

REF : --

For Dept. Use Only	ACTION	DEPT.
	CLI-10	REP-1 DC/R-2 I-3 IPS-1 IPS-2 ARA2 GER-2
	REC'D 12/14	INFO OTHER NAVY-39 CINCLANT 3-1 AG-5 FAR-1 ARMY-35 AIR-24 CSO-3 COM-6 FAS-1

SUBJECT: WEEKA NO. 50 - ECONOMIC SECTION

Action Taken

SECTION II

Unclassified

Date of Action 12-15-53

Business in November showed little change from the low October level. Department store and household appliance sales improved slightly but hardware and heavy equipment lines remained poor. In spite of good harvest prospects and favorable crop prices it was not expected that farmers would soon resume large-scale hardware and machinery purchases because of the continuing uncertainty regarding property rights under Agrarian Reform. Manufacturers' agents and distributors reported a considerable decrease in orders for durable and non-durable consumer goods allegedly because persistent but unconfirmed reports of declining personal income were undermining the confidence of retailers. Actually there has been no evidence of a decline in individual dollar income but the higher selling prices of numerous articles due to increased import duties and operating costs during the past year may have resulted in a decrease in real income for many consumers. Receipts of foreign items by banks increased somewhat but collections continued to be slow.

Supreme Court Decisions (Unclassified)

Confidence in the Guatemalan judiciary's willingness to protect private rights was further undermined when the Supreme Court this week upheld the Government in two separate cases involving claims that the Government had taken over private funds illegally.

The first case arose from a claim for the return of $50,000 in special war taxes collected on the income from a plantation taken over by the Government under the wartime alien property law but returned in 1948 when the

DECLASSIFICATION DATE 1/30/79 PER Chapman OFFICE ARA FADRC FOI CASE NO. 740332

DC/R Central Files 714.00(W)/12-1153

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(UNCLASSIFIED) (When Unclassified Sections)

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courts decided it was not German property. The lower courts had decided in favor of the plantation owner's suit to recover the special tax levied while the Government was operating his property, but the Supreme Court stated that Congress was within its rights in providing in the wartime law that the return of property wrongfully seized should not give rise to any claims against the State nor the return of taxes already collected.

In the other case the Court reversed lower court decisions which ordered the Banco Agrícola Mercantil to return to the Guatemalan Chamber of Commerce and Industry a deposit of $9,744 which the Government had seized in 1950 after abolishing the Chamber's legal status and closing its offices due to its alleged support of the political disturbances in July of that year. In January 1951 the Supreme Court decided that the Executive did not have the constitutional authority to cancel the Chamber's legal status and the Chamber then sought to recover its funds. However, the Supreme Court has now ruled that although the Chamber based its suit on the 1951 decision, the return of the funds "was not in law a (further) consequence of the benefits derived (from that decision)"; and that the Executive in 1950 was completely within its prerogatives in ordering the bank to transfer the funds to the Ministry of Economy so that salaries and other obligations of the Chamber could be paid during the period of Government intervention.

End Unclassified

Begin Restricted

Since the removal by Congress of four Supreme Court justices in February 1953 because they admitted a suit involving the expropriation of property under the Agrarian Reform Law (WEEKA No. 7), the Court has consistently sustained the Government's position in cases coming before it. In November 1952 the lower court decision upholding the Chamber's right to recovery of its funds was welcomed by local businessmen as confirming that private bank deposits could not be seized without due process of law, but it appears that the new Supreme Court justices give little weight to that principle when it requires the issuance of a ruling against the Government.

End Restricted

For the Ambassador:

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